

Date: June 09, 2021

To: Costa Mesa City Council

Copy: Lori Ann Farrell Harrison – City Manager, Carol Molina – Finance Director, Raja Sethuraman – Public Services Director

From: Finance and Pension Advisory Committee (FiPAC)

Subject: Fiscal Year 21/22 Preliminary Budget

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Staff reviewed the Preliminary Budget with FiPAC and our Budget Subcommittee took a deeper review and listened to the various Budget Study Sessions. The entire Committee received a review of the “Revised Proposed” Budget from Staff on June 9<sup>th</sup>. The full Committee voted unanimously to approve this recommendation letter on June 9<sup>th</sup>.

We thank the Finance Dept. and entire Staff for their efforts in compiling the Preliminary Budget.

Over the course of this Budget review cycle alternatives for adjusting the Preliminary Budget and Staffing Levels were presented by Staff. This letter refers to both the original Preliminary Budget and the alternatives that were presented to Council on June 8<sup>th</sup> and to FiPAC on June 9<sup>th</sup>.

The Preliminary Budget includes funding for recovery and growth and FiPAC supports both, but we also believe, when necessary, growth has to be tempered by affordability. To coin a phrase from the City Manager, we were concerned the Preliminary Budget was “building back too soon”.

### Summary

- 1 The Revised Proposed Budget resolves our two primary budget concerns.
- 2 FiPAC supports the Revised Proposed Budget spending level of \$151.6M.
- 3 FiPAC concurs with the decision to eliminate the use Declared Disaster Reserves.
- 4 We concur with Staff that a Five-Year Forecast needs to be completed. This prudent planning tool is integral in helping the City meet one of the strategic goals to “achieve long-term fiscal sustainability”.
- 5 FiPAC recommends a full-time staffing level of 529.
- 6 To help achieve the “infrastructure” Strategic Goal we recommend additional collaboration between Council and Staff in the development of Capital plans.

## Budget

FiPAC supports the Revised Proposed Budget expenditure amount of \$151.6M. This is \$2.8M less than the amount in the Preliminary Budget. The \$151.6M is comprised of recurring revenue of \$144.6M and ARP funding of \$7.0M

We support the full use of ARP funding, but after this funding is fully used, recurring revenue must be sufficient to sustain the existing level of expenditures.

## Use of Fund Balance (Reserves)

We concur with the proposed alternate which eliminates the use of Reserves.

We did not support the use of Declared Disaster Reserves in the Preliminary Budget.

## Staffing

FiPAC supports a full-time headcount of 529. This is one less than the 530 number included in the Preliminary Budget. We recommend deferring a decision on the “Arts Specialist” position, at least until the Midyear Review. This position is funded with Measure Q sales tax revenue which will not start being received until later in FY 21/22.

The 529 full-time headcount represents a 17 headcount increase from the current approved level of 512. We recognize this is a sizeable increase but the increased cost is mitigated by the fact that the FTE increase is about half the 17 at 9.94 and this cost is budgeted within the Revised Proposed Budget.

## Capital

We recommend additional collaboration between Council and Staff in the selection and prioritizing of Capital projects for both the annual and five-year Capital Improvement Programs. We believe this will help Council and Staff be better aligned as they work toward the Strategic Goal of “maintaining and enhancing” all components of the City’s infrastructure.

Referring to the Capital section in the Preliminary Budget book (pp 254 – 256): within Parks we recommend a subcategory titled “Fairview Park” be added for Fairview Park projects and within Transportation adding a subcategory titled “Active Transportation” for Active Transportation projects. Public and Council interest in these two subjects merit each being highlighted, in fact they are important enough for each to have their own citizens committee.

We heartily support Councilwoman Reynolds request that an online “Capital Status Report” be created for the public to access. The public is very interested

in City projects, especially those in their Council district and/or projects they are passionate about.

Thank you and FiPAC is available to answer any questions.

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Ralph Taboada

Chair - Finance and Pension Advisory Committee

Committee members: Tom Arnold – Vice Chair, Lisa Buchanan, Philip D'Agostino, Gabriel Godinez, Boris Gresley, Kip Hancock, Wendy Leece